Acquisition Reform "Enhancing Mission Capability at OO-ALC through the Spare Parts Acquisition Process"

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Overview

- **The 21st Century Challenge**
- **Problem Statement**
- **Our Acquisition Reform Focus**
- **Industries Spares Acquisition Process**
- **Our Spares Acquisition Process**
- **Optimizing our Spare Parts Buying Strategy**
- **On-Going “Lead the Fleet” Activities**
- **Future Acquisition Reform Initiatives**
- **Conclusion**

21st Century Challenge

- **Enhance Mission Capability within Continued Environment of Declining Resources**
  - **Shrinking Budget**
  - **Modernization of Weapons**
  - **Reduction in Force**
  - **Base Closures**
  - **Shrinking Industrial Base**
- **Efficiency = Survival**

Problem Statement

" In my opinion, the Department of Defense Logistics System must be dramatically transformed over the next few years. In very simply terms, it costs far too much, takes far too many people, and doesn't provide the desired performance -- in terms of readiness, responsiveness, or sustainment."*

** Remarks by Honorable Jacques S. Gansler, USD(A&T) 14 January 1998, Transforming DoD Logistics speech US Army War College for Strategic Leadership*

Industry's Spare Parts Acquisition Process

Ogden Air Logistics Center

- **Getting Parts When Needed (14-30 Day Delivery)**
  - Building Close, Long Term Relationships
  - Using Responsive, Cost Conscious Suppliers
- **Focusing on Total Ownership Cost, not Unit Price**
  - Offset by Lower Infrastructure
  - Lower Risk
  - Better overall performance
- **Practicing Just-In-Time Procurement**
  - Minimizes Investment and Commitments
  - Creates Opportunity Dollars

Our Spare Parts Acquisition Process

Ogden Air Logistics Center

- **Base buys on forecasted:**
  - **Mission capability requirement**
  - **Parts reliability**
  - **Lead-times**
- **Seldom consider risk**
- **Segregate buys**
- **Focus on lowest unit cost**
  - **Revolving fund concept supports lower unit costs**

Process Continued

- **Budget Reduction**
  - **Lower quantities**
    - **> 60% of requirement bought in FY97**
  - **Longer acquisition lead times**

- **Computation system based on "When" to buy not *How* to buy**
  - **Buy to fill lead-time pipeline**
  - **Stifles innovation**

Common Theme

- **Long lead-times**
  - **477 days weighted average/part**
  - **Schedule tradeoffs**
- **Large number of contracts**
  - **Hundreds of small companies**
- **Large inventories**
  - **Low turnover**
  - **High inventory investment**

So *HOW* Do We Optimize our Spare Parts Buying Strategy?

Optimizing Our Spare Parts Buying Strategy

Ogden Air Logistics Center

- **Change current process**
  - **Unit cost to TOTAL Cost**
  - **Integrated Process Teams (IPTs)**
- **Apply best practices from:**
  - **Commercial**
    - > **Establish long term consolidated buys**
    - > **Act like a corporation instead of hundreds of small companies**
  - **Government**
    - > **Give contractors visibility into requirements**
    - > **Pre-plan requirements**
- **Provide tools to make decisions based upon *BEST VALUE!!!***

On-Going "Lead the Fleet" Activities

- **OC-ALC/GE Corporate Contract**
  - 800 sole source parts, one contract
  - Replaces nearly 200 contracts
  - Production lead-times reduced to 90 days
  - Paid small premium on unit price, but overall Lower Total Cost
  - Deferment of $116M in buys

OO-ALC "Lead the Fleet" Activities Landing Gear

Ogden Air Logistics Center

- **Multi-NSN 5-year bushings contract**
  - **ID/IQ Requirements multiple award contracts**
    - **Maintain industrial base**
  - **1100 line items**
  - **Replaces more than 400 contracts**
  - **Best Value-- Higher Quality, Better Performance, Reduced lead times**
  - **Small Business Set Aside**
    - **Anticipated award date 30 Sep 98**

OO-ALC "Lead the Fleet" Activities
F-16 Falcon Flex Initiatives

Use of performance-based specifications for spares

- **Stable Oscillator**
  - **Cost from $12K to $2K per unit (700 total units)**
  - **Eliminated repair infrastructure**
- **Radar Memory Cards**
  - **Cost from $14K to $4K per unit (1800 total units)**
  - **Double Memory capacity, higher reliability**
  - **Replaced 6 different configurations with one common**
- **Radar Power Supply (in acquisition stage)**
  - **Costs from $70K - $20K per unit (total units?)**
  - **Anticipate elimination of repair infrastructure**

Future Acquisition Reform Initiatives

Ogden Air Logistics Center

- **Continue to Seek Out and Test Pilot Programs**
- **Increase industry participation in IPTs**
- **Continue industry/government training**
- **Implement electronic contracting for Construction Contracts**
- **Implement Senior Management Review Board (SMRB)**

Board (SMRB)

- Centralized Team of Senior ALC Leaders
  - Chair Executive Director (CD)
  - Directors of LM, LA, LF, LI , FM, PK, and TI
  - Associates BC, CR, JA and DPC
- Ownership and Accountability
  - Acquisition Reform
  - Acquisition Lead Time
  - Acquisition of LEAN Logistics
  - Pipeline Inventory Reduction
  - Pilot Programs
- Meets Quarterly - First Meeting June 1998

Conclusion

Our Logistic Systems are Too Expensive Take Too Many People and Accomplish Too Little

Acquisition Reform is our Reality!
Everyone Must Participate!
Our Survival Depends Upon it!